



**LOCAL AGENCY FORMATION COMMISSION OF
SANTA CLARA COUNTY
MINUTES
WEDNESDAY, OCTOBER 12, 2005**

1. ROLL CALL

The Local Agency Formation Commission (LAFCO) of Santa Clara County convenes the 12th day of October 2005 at 1:15 p.m. in the Chambers of the Board of Supervisors, County Government Center, 70 West Hedding Street, San Jose, California, with the following members present: Chairperson John Howe, Commissioners Blanca Alvarado, Donald F. Gage, and Susan Vicklund-Wilson. Commissioner Linda J. LeZotte is absent.

The LAFCO staff in attendance includes Neelima Palacherla, LAFCO Executive Officer; Kathy Kretchmer, LAFCO Counsel; and Dunia Noel, LAFCO Analyst.

The meeting is called to order by Chairperson Howe and the following proceedings are had, to wit:

2. PUBLIC PRESENTATIONS

Jim Foran, Director, Santa Clara County Open Space Authority, and President, Santa Clara County Special Districts Association (SDA), states that Santa Clara County is the only county in the Bay Area that does not have a special district representation on the Commission, and he suggests that the Commission consider including special districts in the future. He invites the Commissioners to attend the quarterly meetings of the SDA, and he notes that the next meeting of the SDA is on December 5, 2005 at the Santa Clara Valley Water District Office.

3. APPROVE MINUTES OF AUGUST 10, 2005 MEETING

Chairperson Howe recommends that the names of the Commissioners be included on Item 8A on Page 6, and on Item 7 on Page 7.

On motion of Commissioner Alvarado, seconded by Commissioner Gage, it is unanimously ordered that the minutes of August 10, 2005 meeting be approved, as amended.

4. MORGAN HILL USA AMENDMENTS
a. Holiday Lake Estates
b. Hill Road

Ms Palacherla provides oral and written information regarding the request of the City of Morgan Hill to expand its Urban Service Area to include the unincorporated portions of the Holiday Lake Estates area. In addition, she notes that 80 of the 200 homes have sewer service from the City, and that the septic systems are approximately 40 years old and are failing.

Ms Palacherla indicates that LAFCO staff has reviewed the application relating to the Holiday Lake Estates and that inclusion of the area in the Urban Service Area is consistent with LAFCO policies. She advises that LAFCO staff recommends inclusion of the Holiday Lake Estates area in the Urban Service Area of the City of Morgan Hill. She discusses the reasons for the staff recommendation to approve the proposal, which includes preparation by the City of a plan for financing and constructing a sewer system in the area, where necessary. She states that approval of the proposal would allow the City to extend sewer service to the area and would address the public health and safety concerns in the area.

Ms Palacherla continues by discussing the proposal to include the unincorporated portions of Hill Road to the south of Diana Avenue up to East Dunne Avenue and also Diana Avenue up to Hill Road. She notes that these portions of land are adjoining an urban unincorporated island that the City wants to annex. She advises that inclusion of these unincorporated portions would facilitate the process of island annexation of the unincorporated island into the Urban Service Area of the City of Morgan Hill. She advises that LAFCO staff recommends approval of this proposal, as well.

In conclusion, Ms Palacherla indicates that the recommendation for approval is on the condition that the City of Morgan Hill will pay the LAFCO fees.

Chairperson Howe inquires whether there are public comments regarding Item 4, and there are none.

On motion of Commissioner Gage, seconded by Commissioner Alvarado, it is unanimously ordered that the proposal to include the Holiday Lake Estates area in the Urban Service Area of the City of Morgan Hill be approved.

It is further ordered that the proposal for a minor expansion of Morgan Hill's Urban Service Area to include the necessary unincorporated portions of Hill Road to the south of Diana Avenue and up to East Dunne Avenue and Diana Avenue up to Hill Road be approved.

5. SAN JOSE USA AMENDMENT 2005 AND REORGANIZATION OF STORY #56

Ms Palacherla provides oral and written information, including a corrected map, relating to the proposal of the City of San Jose to include two parcels of land on Fleming Road in the City's Urban Service Area, as well as to annex them, to allow the two parcels to connect to the City sewer system. She states that the two parcels located on Fleming Road have failing septic systems, and that the proposal includes only portions of the two parcels that are within the 15 percent slope line. She notes that the two parcels are surrounded by City lands; however, the parcels that surround the two parcels are not within the City's Urban Service Area.

Ms Palacherla indicates that LAFCO staff evaluated the proposal for consistency with LAFCO policies, and she advises that LAFCO staff believes that the proposal would involve logical and orderly boundaries. She notes that although the areas are not within the City's Urban Service Area, they have been included in the City's urban growth boundary. She further notes that annexing these areas would allow the City to apply the appropriate land use and zoning designations to the parcels that are outside the proposed Urban Service Area and allow them to remain open space without much development potential.

Ms Palacherla indicates that generally LAFCO policies discourage annexations outside the Urban Service Area. However, annexation in this case will help promote preservation of open space, and that LAFCO may make an exception because of health and safety issues. Further, she reports that the City has provided LAFCO staff with information relating to the City's ability to provide urban services without much change to existing services.

In conclusion, Ms Palacherla advises that LAFCO staff recommends approval of the Urban Service Area expansion and annexation of the two parcels to the City of San Jose with the condition that the City pay any additional fees to be determined by LAFCO staff.

In response to an inquiry by Commissioner Alvarado, Ms Palacherla responds that one of the parcels is owner-occupied and that the lands to the north, east, and west of the parcels are incorporated into the City. However, she states that the two parcels are outside the City's Urban Service Area because portions of the two parcels are on the 15 percent slope. She confirms that portions that are within the 15 percent slope are going to be included in the Urban Service Area.

Chairperson Howe inquires whether there are public comments regarding Item 5, and there are none.

On motion of Commissioner Alvarado, seconded by Commissioner Gage, it is unanimously ordered that the proposal by the City of San Jose be approved relating to expansion of the Urban Service Area boundary to include a portion of two parcels of land located on 1230 and 1238 Fleming Road.

It is further ordered that the proposed annexation of the two parcels of land located on 1230 and 1238 Fleming Road to the City of San Jose be approved.

COMMISSION ACTION AND/OR DISCUSSION ITEMS

Chairperson Howe requests clarification whether the Commission can take any action on items listed as Commission Action and/or Discussion Items. Ms Kretchmer advises that the Commission can take action where there is a possible action indicated on each item.

6. UPDATE ON ISLAND ANNEXATION EFFORTS

Ms Noel provides written and oral reports regarding updates on island annexation efforts. She notes that LAFCO staff recently completed a document entitled "Making Your City Whole: Taking Advantage of the Current Opportunity to Annex Urban Unincorporated Pockets," as a guide to conducting pocket annexations. She indicates that the document was prepared with the assistance of Don Weden, former County Principal Planner, and that copies of the document were provided to the Commissioners and to the members of the audience. She further indicates that a resolution supporting a review of city and the County development standards is going to be included on the agenda for the October 18, 2005 meeting of the Board of Supervisors to determine whether additional changes are necessary to make County standards more consistent with city standards.

Ms Noel reports that the cities of Morgan Hill, Monte Sereno, and Los Altos are actively pursuing island annexations at this time, and that the County Surveyor's Office and the County Assessor's Office are preparing documents for 15 of Morgan Hill's islands and three of Monte Sereno's islands. She states that the City of Morgan Hill is tentatively preparing documents pertaining to the California Environmental Quality Act in relation to the City's island annexation, and that the City will conduct public hearings on annexations in February and March 2006.

In addition, Ms Noel reports that the City of Monte Sereno will hold a community meeting on island annexations in October, and residents and property owners will receive a document entitled "Monte Sereno Pockets Project: Annexation Answer Book," which was prepared by LAFCO staff with assistance of Monte Sereno's City Manager and the County Planning Office.

Further, Ms Noel reports that the City of Los Altos will hold public workshops for island residents and property owners with focus on the Blue Oak Lane area and the Woodland Acres area. She advises that residents and property owners will receive a document entitled "Annexation Answer Book," which was prepared by the City.

Ms Noel indicates that the Cities of Saratoga, San Jose, Campbell, and the Town of Los Gatos continue to research the issue of island annexations and are waiting to receive authorization from their respective city councils to initiate the island annexation process. She states that the City of Saratoga is having geotechnical reports prepared for their islands in order to determine whether there are any geotechnical issues relating to the islands and the impact to the long-term condition of public roads in the islands.

Reporting further, Ms Noel provides information relating to the continued dialogue regarding island annexations between the County and the City of San Jose, such as the written correspondence received by Pete Kutras, County Executive, from the San Jose City Manager, requesting that the County Board of Supervisors take action in setting priorities for the City's island annexations. She indicates that the County has taken the letter under advisement.

Ms Noel also provides information regarding continuing dialogue with the Town of Los Gatos on island annexations. She notes that the Town Council held a meeting in September 2005, and that the Town Council reviewed several options, accepted public testimony, and tabled further discussion of the matter until the next Council meeting in October.

In addition, Ms Noel reports that LAFCO staff met with the Mayor and City Manager of Campbell in August 2005 and discussed the City's interest in annexing three of their remaining islands. She indicates that several issues were discussed, including the City's concerns regarding the financial impact of annexation and the effect to the City's contract with the Central Fire Protection District.

In conclusion, Ms Noel advises that the Cities of Cupertino, Gilroy, Milpitas, Mountain View, Sunnyvale, and Santa Clara have not expressed any interest in any island annexations.

Commissioner Alvarado expresses appreciation to the efforts of LAFCO staff, and she comments that it is encouraging to observe the progress on island annexation in Morgan Hill, Los Gatos, and Sunnyvale. Further, she inquires regarding how public perception is formed, what the public reactions are, how much outreach and discussion

take place relating to the subject of island annexation. She comments that there had been resistance with some pocket residents in the past, and she expresses concerns that there is limited time for the streamlined process for annexing pockets.

Chairperson Howe states that the City of Sunnyvale has annexed or will annex all except one pocket. He indicates that the annexations that have taken place in the City of Sunnyvale in the last four years have been uncontested. Further, he comments that staff held public hearings in addition to the required formal public hearings, and that education process clarified the issues.

Ms Palacherla responds by providing information regarding Morgan Hill and the formation of an interagency group composed of the City of Morgan Hill, LAFCO, the County, and the Water District, to address the issues at the Holiday Lake Estates. Further, she notes that the group met with the members of the Holiday Lake Estates community and discussed their options and the feasibility study relating to forming an assessment district for sewer infrastructure in the area. She states that the meeting was positive and that the community members agreed to initiation of the feasibility study. She states that LAFCO will provide the community with information regarding the impacts of annexation.

Ms Palacherla indicates that an informational report on the impacts of annexation has been provided to the community members of Monte Sereno. She also states that the first community meeting will be held next week and that a report will be provided at the next LAFCO meeting. In addition, Ms Palacherla advises that documents and reports were prepared to address some of the issues discussed by the residents regarding annexation and that public meetings will also be held.

Chairperson Howe inquires whether there are public comments regarding Item 6, and there are none.

On motion of Commissioner Gage, seconded by Commission Vicklund-Wilson, it is unanimously ordered that the report be accepted.

7. EXTENSION OF WATER SERVICE BY PRIVATE WATER COMPANIES TO UNINCORPORATED AREAS OUTSIDE CITY URBAN SERVICE AREAS

Chairperson Howe indicates that there are no public comments regarding Item 7.

On motion of Commissioner Gage, seconded by Commissioner Vicklund-Wilson, it is unanimously ordered that Item 7 be continued to the next LAFCO meeting.

8. REPORT ON 2005 CALAFCO ANNUAL CONFERENCE

Commissioner Vicklund-Wilson reports that the 2005 Annual Conference of the California Association of Local Agency Formation Commissions (CALAFCO) was held in September, and that representatives from the Santa Clara County, Monterey, and Santa Cruz LAFCO participated and co-chaired the event. She provides information regarding the success of the conference, including educational sessions, implementation of a Mobile Workshop, and a keynote speaker relating to smart growth and development. She expresses appreciation to Ms Palacherla for her efforts as the Program Chair for the event.

Further, Commissioner Vicklund-Wilson indicates that the CALAFCO Legislative Committee will discuss extending the timelines for streamlined island annexations. She also states that she was re-elected to serve on the CALAFCO executive board for a second term. Commissioner Alvarado congratulates Commissioner Vicklund-Wilson for her re-election, and she also expresses appreciation for the efforts of Commissioner Vicklund-Wilson and staff relating to the conference. Commissioner Vicklund-Wilson expresses appreciation to Commissioner Alvarado as one of the speakers at the conference.

Chairperson Howe expresses appreciation to Commissioners Vicklund-Wilson and Alvarado and staff for their efforts and representation of the Commission.

Chairperson Howe indicates that there are no public comments on Item 8.

On motion of Commissioner Gage, seconded by Commissioner Alvarado, it is unanimously ordered that the report be accepted.

9. LAFCO STRATEGIC PLANNING WORKSHOP

Ms Palacherla provides verbal background information regarding strategic planning sessions that some of the LAFCOs in other counties are conducting to set goals and objectives, discuss issues, and create mission statements and work plans. She recommends that the Commission hold a strategic planning workshop, and advises that staff is requesting direction from the Commission regarding topics that will be discussed at the workshop. Commissioner Vicklund-Wilson suggests that the workshop include a review of the guidelines or policies of the Commission. Commissioner Alvarado expresses agreement to hold a workshop. She comments that discussion concerning the roles and responsibilities of the members of the Commission and creating a mission statement be included in the workshop.

On motion of Commissioner Alvarado, seconded by Commissioner Vicklund-Wilson, it is unanimously ordered that staff be authorized to set a date and plan a strategic planning workshop.

In response to an inquiry by Chairperson Howe, Ms Palacherla advises that the strategic planning workshop will be a two-hour workshop that will be scheduled preceding the LAFCO meeting in February 2006.

10. PROPOSED TOUR OF GILROY

Ms Noel reports that LAFCO staff had an informal meeting with the officials of the City of Gilroy in September 2005 regarding a dialogue with LAFCO concerning the growth and preservation plans of the City. She indicates that Al Pinheiro, Mayor, City of Gilroy, and the City staff offered to host a workshop and/or tour of the Gilroy area for LAFCO members and staff in October or November.

On motion of Commissioner Alvarado, seconded by Commissioner Vicklund-Wilson, it is unanimously ordered that staff be authorized to schedule and plan the workshop and/or tour with the City of Gilroy staff.

Chairperson Howe indicates that he may not be available to participate in the workshop and/or tour of Gilroy. He requests that staff provide information to

Commissioner LeZotte regarding the workshop and/or tour of Gilroy and the strategic planning workshop.

11. LEGISLATIVE REPORT

Ms Noel provides written and verbal reports relating to Assembly Bill (AB) 1602, AB 1746, and Senate Bill (SB) 135 relative to Santa Clara County. She indicates that AB 1602, which would restore the formula to allow vehicle license fee offsets to flow to future incorporations, did not pass the Legislature and will be considered next year. Further, she states that AB 1746 was signed by the Governor, which extends the deadline for completing the Sphere of Influence updates from January 1, 2006 to January 1, 2008 and will help LAFCOs control costs, avoid litigation, and focus on the highest priority projects. In addition, Ms Noel provides information that SB 135, which rewrites the Community Services District Law, was also approved.

On motion of Commissioner Alvarado, seconded by Commissioner Gage, it is unanimously ordered that the report be accepted.

12. PENDING APPLICATIONS (Information Only)

Ms Noel provides written and verbal reports regarding the application of the Redwood Mutual Water Company (RMWC) for the formation of the Redwood Estates Community Services District to transfer the water system that the RMWC provides to several communities in the Santa Cruz mountain area to the San Jose Water Company (SJWC). She states that the agreement between RMWC and SJWC will be finalized and will be submitted for approval by the Boards of Directors of both companies, by the members of RMWC, by the California Public Utilities Commission, and by a number of other regulatory agencies. She notes that following completion of the transaction by the first quarter of 2006, a meeting with LAFCO staff will be held to determine whether a revised application for a Community Services District from RMWC would be necessary.

In conclusion, Ms Noel indicates that LAFCO staff will continue to provide updates regarding this matter.

13. WRITTEN CORRESPONDENCE

There is no discussion.

14. NEWSPAPER ARTICLES

There is no discussion.

15. ADJOURN

On order by the Chairperson, there being no objection, the meeting is adjourned at 2:08 p.m.

The next regular LAFCO meeting is scheduled to be held on Wednesday, December 14, 2005 at 1:15 p.m. in the Chambers of the Board of Supervisors, County Government Center, 70 West Hedding Street, San Jose, California.

John Howe, Chairperson
Local Agency Formation Commission

ATTEST:

Beverly Sumcad, Deputy Clerk